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Approved by:

William L. Brant

U.S. Embassy Mexico

Prepared by:

Benjamin Juarez and Dulce Flores

Report Highlights:

**Additional Tariff Line for Eggs* Mexican Economy Shirinks Slightly in
2001* Moody's Upgrades Mexico's Rating**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

ADDITIONAL TARIFF LINE FOR EGGS

On December 31, 2001, the Secretariat of Economy (SE) announced in the *Diario Oficial* (Mexico's Federal Register) the addition of a tariff number in the 2002 General Import Tariffs Law, to differentiate table eggs from hatching eggs. Formerly, the H.T.S 0407.00.01 included both types of eggs, but now there is one tariff number for each. Therefore, on February 4, 2002, SE published in the *Diario Oficial* the modification in the 2002 duty free poultry tariff rate quotas for U.S. eggs and poultry meat under NAFTA.

H.T.S.	ITEMS	NAFTA TRQ- 2002
0407.00.01	Table eggs, fresh for human consumption	
0407.00.03	Hatching eggs	8,233.9

MEXICAN ECONOMY SHRINKS SLIGHTLY IN 2001 AFTER 5 YEARS OF GROWTH

On February 6, 2002, Finance Secretariat Planning Director Andres Conesa said Mexico's economy shrank by about 0.2 percent in 2001, after five years of uninterrupted growth,. The Gross Domestic Product (GDP) dropped 1.2 percent in the last quarter of the year, due mainly to the impact of the economic slowdown in the United States. Conesa's estimate coincided with forecasts by economists, who recently predicted that GDP would drop around 0.26 percent in 2001. The government is expected to release exact figures in the next few days. According to Conesa, the government continues to expect that GDP will grow this year by 1.7 percent, which is more optimistic than the forecasts of most experts, who say growth will be between 0.4 percent and 1.4 percent. Conesa said recent decisions by the Moody's and Fitch rating agencies to upgrade their ratings of Mexican debt instruments reflected the "soundness of the foundations of the Mexican economy and stable expectations of medium-term growth." He added that despite the economic slowdown, the budget deficit had been kept under control by disciplined tax and monetary policies and public-spending cuts. In 2001, the Mexican budget deficit amounted to the equivalent of US\$4.5 billion or 0.73 percent of the GDP, slightly above the government's 0.65-percent target. Conesa said this slight deviation was due to the fact that spending cuts did not quite offset the 3.6 percent drop in revenue. The drop in public revenue was the result of reduced earnings from oil exports, which were down US\$3.4 billion. (Source: *The News*, 2/7/02)

MOODY'S UPGRADES MEXICO'S RATING

On February 6, 2002, Moody's Investors Service upgraded Mexico's long-term foreign currency country ceiling for bonds and notes from "Baa3" to "Baa2." The upgrade reflects the "strong positive impact on the country's credit quality resulting from the continued deepening of the economic and financial integration of Mexico with the U.S. economy," the credit rating agency said. "In Moody's view, the adequate and timely response of the Mexican authorities to economic shocks and an increased resilience to financial contagion are contributing to significantly improved country creditworthiness," the company said in a press release. Moody's also upgraded Mexico's long-term foreign currency country ceiling for bank deposits from "Baa1" to "Baa2," and its short-term ceiling for foreign currency denominated securities to P-2 status. The country's new "Baa2" rating ranks ninth in Moody's 21-point rating system which it uses to evaluate investments deemed investment or non-speculative. (Source: *The News*, 2/7/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	TITLE	DATE
MX2020	Weekly Highlights & Hot Bites, Issue #5	2/1/02
MX2022	Mexico Announces the First Auction for Import Permits of Dry Edible Beans	2/1/02
MX2023	Mexico's Monthly Crop Update, January 2002	2/6/02

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To reach us at FAS/Mexico City, email us at:

AgMexico@fas.usda.gov and/or ATOMexico@fas.usda.gov.